

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**November 29, 2001**

**IN RE:**

**APPLICATION OF POWERGEN plc,  
TO TRANSFER CONTROL TO E.ON AG**

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**DOCKET NO.  
01-00845**

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**ORDER APPROVING TRANSFER OF AUTHORITY**

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This docket came before the Tennessee Regulatory Authority ("the Authority") at a regularly scheduled Authority Conference held on October 23, 2001, on the Application ("the Application") of Powergen, plc ("Powergen"), pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of authority to provide utility services. This transfer will be part of a corporate restructuring in which the Certificate of Public Convenience and Necessity ("CCN") currently held by Powergen to provide utility services in Tennessee will be transferred to E.ON AG ("E.ON").

**Background**

The Application states that Powergen is the ultimate parent of Kentucky Utilities ("KU"), a public utility authorized to provide electric service in Tennessee. LG&E Energy ("LG&E") directly owns KU. E.ON has, as of April 9, 2001, made a pre-conditional cash offer to acquire all shares of Powergen. In its Application, Powergen requests that the Authority approve a transfer of control of KU to E.ON. After the acquisition, Powergen will be a wholly-owned subsidiary of E.ON, while LG&E and KU will survive the acquisition and continue their corporate existence.

According to the Application, E.ON is an Aktiengesellschaft formed under the laws of the Federal Republic of Germany. An Aktiengesellschaft is the German legal equivalent of a United States stock corporation. E.ON's shares are traded on all German stock exchanges, the Swiss Stock Exchange, and as American Depository Receipts on the New York Stock Exchange. In December of 2000, E.ON ranked as Germany's third largest industrial group with over 180,000 employees. Its market capitalization on April 6, 2001 was approximately \$35.7 billion. Through its wholly owned subsidiary, E.ON Energie, E.ON supplies roughly one third of Germany's electricity. E.ON, including its minority shareholdings, also supplies over thirty percent (30%) of Germany's natural gas. E.ON has stakes in energy utilities in Sweden, Switzerland, the Netherlands, Italy, Poland, Russia, Latvia, Hungary, Austria, and the Czech Republic. It is the fourth-largest electricity provider in the world by sales volume, and it supplies electricity and natural gas to approximately twenty-five (25) million residential and commercial customers.

### **The Application**

Powergen's Application was filed on September 27, 2001 and requests that the Authority approve, pursuant to Tenn. Code Ann. § 65-4-113, a transfer of control of KU from its current ultimate parent company, Powergen, to its prospective ultimate parent company, E.ON. The Application states that KU will continue to hold its CCN in Tennessee upon its acquisition by E.ON and that there will be no change in the corporate structure of LG&E or KU.

### **Requirement of Approval by the Authority**

Authority approval of a transfer of control involving public utilities holding certificates of public convenience and necessity is required under Tenn. Code Ann. § 65-4-113(a), which provides as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the [A]uthority, to any individual, partnership, corporation or other entity without first obtaining the approval of the [A]uthority.

### **Public Interest**

According to the Application, KU currently has 6 customers in Tennessee. The proposed transfer of ownership will have no effect on the company name, address, contact information, services, rates, or terms and conditions of service for these customers.

After the acquisition of ownership and control of Powergen by E.ON, LG&E and KU will continue to have the financial, technical and managerial abilities necessary to provide reasonable service to their respective customers. The transfer of authority will benefit the consuming public because the transfer will promote operational and administrative efficiencies for the newly acquired E.ON companies including LG&E and KU. It will enable KU to reduce its administrative and operating expenses and realize operational and management efficiencies and other corporate benefits. These efficiencies will enable KU to compete more effectively in the market for electric utility services to the ultimate benefit of consumers in Tennessee. Thus the approval of the transfer of authority will serve the public interest.

### **Findings**

Based upon careful consideration of the Application and the entire record in this matter, the Authority finds and concludes as follows:

1. The Authority has jurisdiction over the subject matter of this Application pursuant to Tenn. Code Ann. § 65-4-113.
2. Powergen has been granted authority to provide public utility services in Tennessee.